Statement of
The Honorable Joseph C. Szabo
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U.S. Department of Transportation
before the
Subcommittee on Railroads, Pipelines and Hazardous Materials
Committee on Transportation and Infrastructure
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Chairman Shuster, Ranking Member Brown, and members of the Subcommittee: I am honored to appear before you today to discuss the implementation of the Passenger Rail Investment and Improvement Act of 2008, also known as PRIIA.

Introduction

In response to the tragic Metrolink accident at Chatsworth, California in 2008, Congress enacted the most sweeping single piece of legislation aimed at FRA and the programs we manage since the agency was created in the Department of Transportation Act of 1967. For the first time, in one piece of legislation, both parts of FRA's mission, safety and infrastructure investment, were addressed in a comprehensive manner. Division A of that legislation, the Rail Safety Improvement Act of 2008 (RSIA), was the first reauthorization of FRA's safety program in 14 years. It identified significant new direction, responsibilities and resources for FRA's safety program. Division B of that legislation, the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), began the transformation of FRA's investment programs. PRIIA was the first reauthorization of Amtrak in 11 years, but it did this in the larger framework of intercity passenger rail service that went beyond the traditional view that Amtrak is synonymous with that mode of transportation.

As a result of this legislation, FRA, a comparatively small agency, was tasked with the challenge of taking on significantly expanded missions, which helps to explain why the Subcommittee has chosen to review this legislation in two hearings. While much remains to be done, FRA has made significant progress in meeting the goals of PRIIA.

Implementing PRIIA – the Progress To-Date

PRIIA began the transformation of the Federal role in intercity passenger railroad investment – which we believe should be on a par with the other surface transportation modes. In this regard, PRIIA can be viewed as addressing three issues critical to the future of intercity passenger rail service.

PRIIA addressed the mission of Amtrak: defining the national railroad passenger transportation system, improving and adding transparency to Amtrak's business processes, and setting expectations for intercity passenger rail performance and the roles and responsibilities of Amtrak and the freight railroads that host Amtrak service to deliver on those expectations. PRIIA addressed a new view of the investment relationships needed to deliver intercity passenger rail service. Since 1971, this had been a bilateral relationship between the U.S. Department of Transportation and Amtrak. PRIIA envisioned a trilateral relationship that involves relations among DOT, Amtrak, and the States. Finally, PRIIA addressed high-speed intercity passenger rail service from both the public and private investment perspectives.

The roles and responsibilities for implementing PRIIA are as diverse as the issues that the law addresses. Amtrak, FRA, the Department of Transportation's Office of Inspector General, the Surface Transportation Board, the States and others each found that PRIIA had significant mission shifts and expansion for them.

Implementing PRIIA – the Challenges

PRIIA envisioned roles, responsibilities and relationships that previously had not existed or were being significantly modified. In many ways, PRIIA began the establishment of a new paradigm for intercity passenger rail transportation, which the Obama Administration has expanded on.

None of the stakeholders, and I include FRA in that group, initially had the resources and capabilities for fully participating in the new intercity passenger rail environment created by PRIIA. FRA was sized for a financial assistance program that routinely provided annual operating and capital grants to Amtrak and evaluated applications for financial assistance under the Railroad Rehabilitation and Improvement Financing (RRIF) Program, together with a handful of other grants.

Compounding the challenge of the vastly expanded mission of FRA's financial assistance team, are the significant new responsibilities placed upon our safety program which will be the subject of a discussion with this Subcommittee next week. In balancing resources and priorities, we initially focused on the safety initiatives required by RSIA. Safety is and will continue to be our top priority. However, I want to assure this subcommittee that we are now quickly turning our attention to the outstanding rulemakings required by PRIIA.

When PRIIA was enacted, Amtrak was in a defensive posture. It had just survived yet another decade of limited funding, deteriorating assets, declining on-time-performance on its host railroads, threats to its very existence and was in the midst of a transition in management. While capable in many areas, Amtrak was focused on tactical day-to-day actions of preserving a national system of intercity passenger rail service in a resource constrained environment. Its ability to envision a new model for intercity passenger rail service, with new relationships and stakeholders, was constrained by decades where planning and tactical survival had precedence over planning a strategic vision.

Most States had no passenger rail investment programs, and those that did were primarily focused on continuation of existing State-supported Amtrak service. Most States also had no or very limited long-term vision of a more robust role for rail in meeting their intercity passenger mobility needs, and limited rail expertise. Thus, most States did not have the pipeline of intercity passenger rail projects that had been subjected to the rigorous planning, environmental review, design and engineering that would make them "ready to go" as PRIIA-authorized funding became available. Similarly, most States did not have the relationships with their private sector freight railroads that would be a critical stakeholder in implementing these projects.

Freight railroads were not prepared for public investments in their assets, for the obligations placed upon FRA and the States that required a tangible public sector benefit for the Federal investment, or for the rapid expansion in the interest in passenger rail investment by multiple States.

The good news is because of PRIIA and the Obama Administration's efforts on rail, all of the parties have been rapidly expanding their capabilities. The public sector and the private sector railroads have come to understandings on the roles, responsibilities and obligations that flow from public investment in private assets. Indeed, I am happy to report that States and railroads have reached agreement on the development of most of the major intercity passenger rail corridors where high-speed passenger service will use freight railroad infrastructure.

Under the leadership of Joe Boardman and a new Board of Directors on which I serve as Secretary LaHood's representative, Amtrak is now thinking strategically while not forgetting those essential tactical elements that are important for rail service today. Amtrak can point to 16 consecutive months of record ridership while also producing a visionary plan for high-speed rail on the Northeast Corridor and innovative partnerships with states to participate in the development of high-speed rail elsewhere.

The progress seen in intercity passenger rail over the last two years is due, in no small part, to PRIIA and President Obama's commitment to rail. The President's commitment has given a renewed sense of purpose to intercity passenger rail stakeholders. It also has us thinking about the next steps in the evolution of intercity passenger rail in the United States.

Next Steps

In his State of the Union address, President Obama laid out a bold vision for intercity passenger rail transportation. To realize this vision, we will need to continue to build upon PRIIA. I hope to soon be discussing the role of rail in the greater surface transportation context, but as Secretary LaHood advocates for so passionately, today I would like to highlight the Fiscal Year 2012 budget request and how it proposes a better passenger rail system for the nation.

Section 201 of PRIIA defined the National Railroad Passenger Transportation System. In doing so, PRIIA separately recognized Amtrak's service on the Northeast Corridor, long distance routes of more than 750 miles in length and short distance corridors (routes of not more than 750 miles in length). However, section 101 of PRIIA lumps all of these together in a single authorization. The President's budget request views each of these different services as important to the nation's mobility, but each needs to be viewed as business units or lines treated differently by Federal funding. Thus, the President's proposal would focus the operating surplus of the Northeast Corridor on financing needed capital improvements in the Northeast Corridor. Long distance trains and certain operating and capital costs needed to maintain national connectivity, including the national reservations system, security, training, and other national backbone systems, would be funded as part of a new National Network Service program.

Section 209 of PRIIA requires the establishment of a single, nationwide standardized methodology for allocating the operating and capital costs among the States and Amtrak for trains operated on corridors of less than 750 miles in length or designated as high-speed corridors by the Secretary. We support this provision but in many cases it places additional burdens on the States that could jeopardize valuable and relied upon current passenger rail service. The President's budget recognizes this and provides temporary support to States for operating and capital subsidies of these shorter corridor services. As state rail service evolves with greater state control of their passenger service, the federal grants will shift to high-speed corridor services during their ridership "ramp-up" phase.

Section 205 and Section 211 of PRIIA address the legacy of limited investment in intercity passenger rail that has left Amtrak's infrastructure and equipment in a deteriorated state and the corporation burdened by debt obligations it took on over a decade ago. The public values safe, clean, reliable transportation systems, including passenger rail services. To do this while attracting new riders requires a commitment and priority to fund fleet replacement, equipment, and infrastructure. The President's Budget does this in a new System Preservation Account. Once so improved, the funds must be available to assure that they stay that way.

Section 305 of PRIIA began an effort leading to the development of a standardized pool of intercity passenger rail equipment that provides the cost-effective capacity to move people by rail. We need to take the next step. The President's budget proposes to do this by providing initial capital necessary to procure, maintain and make available to the States and Amtrak, standardized, interoperable 100% U.S. manufactured state-of-the-art rail cars and locomotives. The freight industry does this already and we believe the passenger side should also.

Section 501 of PRIIA defines high-speed rail as "intercity passenger rail service that is reasonably expected to reach speeds of at least 110 miles per hour". That definition of high-speed rail needs to be revised as we begin the development of a system that provides 80 percent of Americans access to a high-quality intercity passenger rail network featuring high-speed service within 25 years. The President's budget uses three different descriptions of high-speed rail – Core Express that would connect large densely populated metropolitan areas less than 500 miles apart with trip times of three hours or less at speeds of 125 mph-250mph; Regional high-speed service that will connect medium sized metropolitan areas with frequent and fast service at speeds of 90 mph-125 mph, and Emerging/Feeder high-speed service connecting smaller communities with improved conventional rail service up to 90 mph. This three-tiered approach best balances fast service with the time, distance, speed, and geographic dynamics of our country.

High-speed service around the world, including in our Northeast Corridor, is successful because it has frequent and optimally located connections at intermodal stations where people live and do business. As we move from the programs authorized by PRIIA to those that can meet our expanded vision, we need to assure that this essential element of successful transportation is addressed. That's why the President's Budget leaves no one stranded by fully funding ADA accessibility at all rail stations.

Finally, the President's budget proposes that funding made available for intercity passenger rail should be done so with the same degree of predictability and multi-year commitment that helps define our successful highway and transit programs.

Competition and the Role of the Private Sector

Section 502 of PRIIA, which was designed to solicit private sector initiatives in the development of high-speed rail, did not result in many proposals, in part because the roles of the Federal Government, States and the private sector in developing high-speed rail are still being worked out. Realization of the President's vision for high-speed rail in America will require significant capital investment but also a long-term commitment from government and private enterprise.

The California High-Speed Rail Program anticipates that a third of project costs will come from non-Federal, non-State sources. Florida, before ultimately rejecting high speed rail funding, was preparing to seek expressions of interest from private sector consortiums on a design, build, operate, maintain and finance (DBOMF) arrangement that would have the private sector bear the construction and operating risks of developing high-speed service in the State. Those prospects looked good for the passenger rail industry. More work needs to be done to identify and develop the programmatic structures that will effectively attract private sector interest. Secretary LaHood and I look forward to working with the Congress to better define these structures.

One of the specific issues that you asked to be addressed at this hearing is the potential for competition in providing intercity passenger rail service. I know this Subcommittee has a particular interest in Section 214 of PRIIA. Section 214 would allow for a pilot program involving competition on up to two Amtrak routes. Mr. Chairman, I want to assure you that we will move expeditiously on this rule making. Assuming we have adequate resources in the current fiscal year, we plan to have a Notice of Proposed Rulemaking Making underway later this year.

As you know, states currently have the ability to choose their own operators for rail service. Additional competition may have the potential to improve efficiency and drive down costs. Key considerations include a commitment and dedication to safety, tangible benefits to passengers in terms of fast efficient service, effective accountability for any liability associated with operations, and a level playing field whereby all providers of intercity passenger rail service are railroads covered by the full panoply of railroad laws, as reflected in section 301 (49 U.S.C. 24405 (b), (c) and (d)) and section 214 (49 U.S.C. 24711(c)(3)) of PRIIA.

We at the FRA want to work with you to ensure that the private sector is an active partner in the success of high speed and intercity passenger rail.

Conclusion

In closing Mr. Chairman, I have spent my entire adult life in the rail industry. I have known of and observed FRA for more than 30 years. At no time has there been such a period of transformation in the Agency's mission and its ability to impact the safety and mobility of the American public and the freight on which the world's greatest economy depends. Secretary LaHood and I look forward to working with the Congress to ensure that America can fully realize the benefits of rail transportation.

I would be happy to address any questions the Committee might have.

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